

OLL 85-0666/2
14 March 1985

MEMORANDUM FOR: See Distribution

VIA:

FROM:

SUBJECT: House Plans for a Supplemental Retirement
Plan for New Employees

1. The House Post Office/Civil Service committee is planning to move forward on a supplemental retirement plan for employees hired on or after 1 January 1984, irrespective of what happens in the Senate. House staffers state that they may decide to draft their own plan (the drafting would begin after next April and take an estimated three weeks), or to use the Stevens plan as a basis. No firm decision has been made.

2. General hearings will be held through April. The hearings will focus on reactions to three major reports that have been published since the House and Senate held the series of hearings on retirement last year. The reports are:

- "Study of Total Compensation in the Federal, State and Private Sectors" (Written by Hay/Huggins Co. for the House Post Office/Civil Service Cmte)
- "Designing a Retirement System for Federal Workers Covered by Social Security" (Prepared by the Congressional Research Service for the Cmte.)
- "Benefit Levels of Nonfederal Retirement Programs (Written by the General Accounting Office)

Other studies will be discussed during the hearing as is appropriate. The purpose for the hearings is to learn what specific features employee groups will support vis-a-vis the entitlements that are politically palatable, and to begin selling basic concepts.

3. At this point, no concrete decisions have been made in terms of design features, or so say key staffers. It is clear, however, that the Committee is strongly biased in

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favor of the concept of portability, and that a tax-deferred thrift plan will be a major component of a House-backed package.

4. House staffers are convincing when they say that they feel no sense of urgency to get a supplemental retirement plan passed by Congress this year, even though they are aware that getting an extension for the current temporary system will be difficult. Senator Stevens, who sponsored the interim arrangement whereby new employees are betwixt and between Social Security and Civil Service, has stated that he will not support an extension. On the House side, it is felt that the importance of legislating a very sound and viable system far outweighs the pain that would be felt by paying 14 percent of salary for retirement, which new employees would have to contribute until a new plan is implemented, if the interim system is not extended.

5. Chairman Ford, who heads the Post Office/Civil Service Committee, prefers to go for a new plan this year, assuming that it will be more difficult to do so in an election year. Most staffers, on both the House and Senate side, agree with Ford's assumptions.

6. Most of the work on a supplemental plan will continue to take place at the Committee level. Ford has several staffers at the Committee level who are qualified to draft the complex legislation. The April hearings, however, will rotate between Congresswoman Oakar, Chairwoman of the Employee Benefits Subcommittee, and Committee Chairman Ford. If the occasion comes for mark up of legislation, that will take place at the Committee level.

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